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REGULATIONS TO IMPLEMENT SECTION 16, ARTICLE XI OF THE CONSTITUTION

BSP CIRCULAR NO. 195, March 25, 1999

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Pursuant to Monetary Board Resolution No. 228 dated February 19, 1999, the following regulations are issued to implement Section 16, Article XI of the Constitution, which reads as follows:

> "SECTION 16. No loan, guaranty, or other form of financial accommodation for any business purpose may be granted, directly or indirectly, by any government-owned or controlled corporation or financial institution to the President, the Vice-President, the Members of the Cabinet, the Congress, the Supreme Court, and the Constitutional Commissions, the Ombudsman, or to any firm or entity in which they have controlling interest, during their tenure."

SECTION 1. The terms "loan", "guaranty" or "other form of financial accommodation" as used in these regulations shall refer to transactions which involve the grant, renewal or extension to a bank by the Bangko Sentral of any loan, advance, discount, rediscount or credit in any form whatsoever.

SECTION 2. Any of the government officials mentioned in Section 16, Article XI of the Constitution (the "OFFICIAL") shall be deemed to have a controlling interest in a bank if he owns more than fifty percent (50%) of the voting stock of such bank. For the purpose of this Section, the stockholdings of the spouse or minor child of the OFFICIAL shall be included in determining if he has such controlling interest.

SECTION 3. A bank applying for a loan or financial accommodation with the Bangko Sentral shall submit together with the application a certification under oath of the president of the bank that the bank and/or any of its stockholders do not fall within the prohibition under Section 16, Article XI of the Constitution.

SECTION 4. Any violation of this Circular shall subject the offender to the provisions of Section 36 and/or 37 of Republic Act No. 7653.

Adopted: 25 March 1999

(SGD.) ARMANDO L. SURATOS
Officer-In-Charge

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